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Mr. Gary Gensler
Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Chairman Gensler,

My name is Bill Bonfanti and I own and operate a movie based website, FilmGo.net and I fully support the trading of box office futures. Let me give you a little history as to who I am and what I do. I was a stockbroker on the floor of the New York Stock Exchange for 13 years and as such I understand the volatility associated with trading stocks and other financial instruments. I currently serve as box office analyst and film reviewer for the site.

One of the main arguments presented by the MPAA in opposition to trading box office receipts is that box office futures would begin to negatively impact the actual box office receipts of their underlying films due to possible negative buzz associated with the price of a contract. This is a complete falsehood and in fact the opposite is true. If anything, a box office futures exchange will increase interest and public appetite for films.

If you look at any newsstand, you'll see that most of the magazines on the rack cater to our obsession with movies, TV and celebrities. There are numerous websites and television shows that also cater to this obsession. All of these spread both negative and positive buzz about films from the second a project is announced to the time it is actually playing in theatres nationwide. Critics review films every week and even their esteemed opinions don't have any overall effect on the box office. If it did, Transformers: Revenge of the Fallen wouldn't have made \$400M and this year's Best Picture winner The Hurt Locker would've made much more than the mere \$15M it generated. If the box office was susceptible to bad buzz then 1989's Batman starring Michael Keaton would've been a colossal failure instead of one of the top 50 domestic blockbusters of all time. From the time it was announced that Keaton was cast as the iconic superhero, fanboys were in an uproar that Mr. Mom was going to be playing the Dark Knight detective. The same could be said of Tobey Maguire being cast as Spider-Man. The negative buzz was deafening and yet that film went on to collect \$400M at the domestic box office. Actor Chris Evans recently won the part of Captain America and already the fans are in an uproar. Do I think this will cause the film to bomb? No I don't; I think it will be a big hit just like Iron Man, Batman, or Spider-Man. Iron Man was another film that was attracting negative attention due to Jon Favreau (best

known for comedies at the time) directing. You know how that worked out. Iron Man was a huge hit and now its sequel is currently performing quite well at the box office.

Conversely, positive buzz rarely affects the box office. I apologize for using yet another comic book based film as an example (they are my specialty) but Watchmen was surrounded by positive buzz before its release last year in theatres and that film underperformed at the box office. Sure it had a decent opening, but the films declines were staggering in the weekends ahead. Snakes on a Plane was another film with overwhelmingly great buzz (mostly on the internet) and it was a big old bomb. How about this year's Kick-Ass? That movie was so talked about before its release. The footage shown at Comic Con was really well received and the film, forgive the pun, kicked ass at the South by Southwest film festival. The film did not live up to its title at the box office however. It opened with less than \$20M and the film has managed to pull in only \$45.3M (domestically) after 4 weeks at the box office. As you already know, the contracts that will be offered on Cantor Exchange will be based on a films performance at the box office over a 4 week period, just like its fictional counterpart, The Hollywood Stock Exchange. Before opening in theatres, Kick-Ass was trading at H\$125 on HSX. In translation, this means that traders thought Kick-Ass would make \$125M in domestic box office during its first 4 weeks in theatres. If the argument that the underlying prices of contracts will indeed affect box office performance, then I would argue that this is a good problem to have. I'm sure Lionsgate would be thrilled if Kick-Ass had made that much money versus the paltry \$45.3M it collected over 4 weeks. If you look at the contracts traded on HSX, it is a mixed bag. Some films are undervalued and some are overvalued. Even if the argument that stock (contract) price will effect box office is true, it will all even out in the end. Some films would make more money than they should and some would make less. Again though, the argument is false. Every person in the country would have to trade box office futures in order for the price to truly affect the box office. Any buzz generated from contract price would be the equivalent to a grain of sand on a beach. Hardly any real concern to an industry that thrives on buzz.

What about all of those unfortunate investors that bought Kick-Ass at H\$125 per contract? Wouldn't they have lost money? Yes they would have, but they run that same risk trading any financial instrument. In every trade, there must be a winner and a loser. They could buy stock in a company at \$100 a share only to have the company report bad earnings or become embroiled in legal problems causing the stock to drop 50 points. Of course there are websites like FilmGo that are available to anyone with an internet connection that offer accurate box office predictions that people can use to trade. I predicted Kick-Ass would open at \$22M and make \$50M during the 4 week period, 6 months ago. If the exchange had been open at that time, I and anyone who would've followed my advice would've made \$75 per contract. They also would've made \$200 points per contract when I told them to buy Avatar last December. If the exchange opens, it is my goal to not only offer predictions but to teach the average person how to accurately predict box office. I may not always be right, but with a 90% accuracy rate over the last 18+ months and 13 years trading experience on Wall Street, I'm going to help a tremendous amount of people make money trading box office futures and there are other individuals with the same level of expertise who will also. I know that I will spend more money on movies when I can make money trading them and I'm quite sure others will do the same. This could only be positive for the movie industry.

Representing the MPAA, Mr. Pisano stated during the Congressional Hearing about box office futures that box office receipts are unreliable and are basically worthless. He stated that the publishing of box office results was an idea set forth by the MPAA as an advertising tool. The idea was by showing the massive amount of money a film made over the weekend; it would fuel interest in said film and thus create more ticket sales. This may have been true decades ago when these numbers first were being given to the public, but things have changed. Anyone who looks at box office numbers will tell you that for every hit on the charts, there is a box office failure. This would then create as much negative buzz for films as it does positive. The very thing the MPAA is stating will happen with contract prices on the Cantor Exchange. If publishing box office results hasn't destroyed the industry then it is a logical assumption that publishing contract prices won't either.

Mr. Pisano also stated that overall box office receipts don't have any impact when negotiating distribution deals for theatres, DVD and blu-ray and television rights. He says that all of these deals are made prior to a film's release in theatres and therefore before any box office numbers exist. I'm sure he is right about the time period of these negotiations, but are you really telling me that box office doesn't factor into the equation? Are you telling me that the next film from box office titan James Cameron will weigh in the same as the next film from Kevin Smith whose biggest hit Cop Out only managed \$45M. The money negotiated with DVD distributors will be the same. This is obviously untrue. There is no way that the studios don't make richer deals for films like Iron Man 2 versus The Back-up Plan starring Jennifer Lopez. It doesn't even make a little sense that this would be the case. What about the next Will Ferrell comedy versus a new comedy starring Jay Baruchel? Somehow, I think Ferrell's movie will sell better.

The Exchange will be a terrific hedging tool for anyone in the industry, whether it is the studios themselves, theatre chains or even Netflix. A movie theatre for example would be able to hedge against a possible box office failure that they've committed a number of screens to by shorting the contract on the exchange. Conversely, maybe a film is turning out to be a surprise hit and the theater didn't book enough screens for it. They could then buy contracts to make up for any lost profit. It is interesting to note that if a futures exchange with this product existed 15 years ago, chances are, many mom and pop video stores and movie theatres would probably still be around today. The exchange is beneficial to all facets of the industry and in no way can it be seen as harmful.

People are profoundly interested in movies; we are a pop culture nation. If you give people the opportunity to make money off this obsession it will only fuel interest in films and help sell more tickets. As a box office analyst, I believe one of the very first steps an individual needs to take in order to accurately predict box office is simply to go to the movies and gauge the audience's reactions to the trailers being shown. If people are laughing their heads off at the trailer for Steve Carell's next comedy, chances are it will be a hit. If there is deafening silence in the theatre, it's a safe bet the film will not do well. With analysts like me urging people to get out and go to theatres, this can only be a benefit to the motion picture industry.

In conclusion, the trading of box office futures is an excellent opportunity for anyone and everyone involved in the industry as well as the public. Blocking the existence of this exchange would be foolish and short sighted at best. Thank you for your time.

Sincerely,

Bill Bonfanti
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516 652 1992

cc:

Commissioner Dunn
Commissioner O'Malia
Commissioner Sommers
Commissioner Chilton